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[¶1. Leading Indicators Suggest Negative Per Capita Growth](#)

Annual inflation measured from April '08-April '09 climbed 26% on higher food and medical/consumer good prices. A recent U.S. Foreign Agricultural Service assessment indicates continuing white maize shortfalls, keeping pressure on both prices and the need to import. Remittances, a key social safety net and past driver of residential construction, fell 9% in Q1 2009 compared to Q1 2008. Liquidity remains tight, and the Kenyan shilling has appreciated some 30% against the Ugandan shilling in the last four months, making Kenyan exports less competitive in its largest foreign market. Horticultural exports declined 33% in Q1 2009. The Nairobi Stock Exchange's benchmark index is down 27% for the year. In another sign of sluggish economic times, the region's largest cement company reports a 25% percent drop in FY09 earnings compared to the same period last year. We continue to expect cuts in public sector expenditures due to rising budget deficits.

Kenya's economy grew by only 1.7% in 2008 due to fallout from post-election violence and the global economic slump. The IMF projects Kenya's GDP will grow by 2.4% in 2009, representing negative per capita growth given the country's 3% population rate.

[¶2. Kenya Tourism Shows Signs of Life](#)

In a positive sign, however, tourism rebounded (relatively) in Q1 [¶2009](#). Kenya welcomed 228,713 foreign arrivals January-March, up from 139,255 during the same period last year - albeit when Kenya was in the midst of post-election violence. The Q1 2009 numbers are

over 45,000 tourists short of the Q1 2007 figure of 273,909. Kenya Tourist Board Acting Managing Director Marianne Ndegwa and other industry leaders attribute the rebound in large part to Barack Obama's election as U.S. President. "The election of Obama played a significant role in putting Kenya on the world map," Ndegwa said in mid-May. The Kenya Tourist Board hopes 840,000 tourists will visit Kenya in 2009. Kenya surpassed the one million mark for the first time in 2007 (1,048,732 tourists). Tourism employs an estimated 410,000 Kenyans and accounts for roughly 8% of GDP.

### 13. USG-Sponsored IPR Conference Raises Awareness

Prime Minister Raila Odinga told attendees at his third private sector roundtable meeting (May 13) that the GOK would not tolerate continued dumping of counterfeit and substandard products into the market. He vowed to take stern action (including dismissal) against any Kenya Revenue Authority Customs Service or immigration officer discovered to have abetted trade in counterfeit wares.

The PM's comments were well-timed as some fifty government officials from Kenya, Uganda, Tanzania, Rwanda, and Ethiopia attended the May 19-21 "East Africa Regional Seminar on Copyright Enforcement in the Internet Era." (Post appreciates the U.S. Patent and Trade Office's support for this event.) Attendees included MPs from Uganda, the head of Rwanda's Customs and Compliance Division, the chief of Tanzania's Counterfeit Department in the Fair Competition Commission, Ethiopia's copyright director, the executive director of the Kenya Copyright Board, and the director of Kenya's judicial training institute. Judges, prosecutors, law enforcement officers, and representatives from the entertainment industry were also on hand.

In her welcoming remarks, DCM Pamela Slutz noted the seminar's timeliness given the approaching advent of fiber optic communications to the region (reftel), portending new opportunities for African innovators in software, internet applications, and telecommunications technology. Greater awareness and enforcement of intellectual property rights, she stressed, would help ensure that their discoveries and adaptations are safeguarded and rewarded. The defense of copyright and other intellectual property, she continued, would go beyond rewarding innovators, inventors, and creative artists; it would also protect Africa's unique cultural patrimony and folkloric knowledge. Noting that IPR enforcement serves to protect consumers, the DCM cited instances where adulterated knock-off "medicines" had damaged the health and cost the lives of thousands of Africans. She emphasized that for all these reasons "East Africa needs a strong intellectual property rights regime."

### 14. Export Processing Zones (EPZ) Fared Well in 2008

EPZ apparel firms, which produce 80% of all garment exports to the U.S. under AGOA provisions, experienced surprising growth in 2008, according to a recent survey. The number of pieces exported increased by 13% from 59.2 million to 67.2 million pieces while export earnings grew by 10.7% from \$203.9 million to \$225.8 million in 2008 -- notwithstanding two months' post-election violence and the effects of the global financial crisis.

As a result of a few uncompetitive firms closing down, the EPZ total employment level actually declined by 12.7% from 34,318 to 29,957 in 2008. EPZ contacts tell us the firms which excelled targeted high end consumers, integrated the value chain, and diversified their product lines. EPZ firms are looking to the August 4-6 AGOA Forum in Nairobi as an excellent opportunity to promote their wares.

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